

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 8153**

**BILL NUMBER:** HB 1895

**DATE PREPARED:** Jan 20, 1999

**BILL AMENDED:**

**SUBJECT:** Alternative utility regulation.

**FISCAL ANALYST:** Brian Tabor

**PHONE NUMBER:** 233-9456

**FUNDS AFFECTED:**     **GENERAL**  
                              **X DEDICATED**  
                              **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill provides that the Indiana Utility Regulatory Commission (IURC), the Utility Consumer Counselor (UCC), one or more energy utilities, or a customer class that has statutory standing may initiate alternative utility regulation for an energy utility. (Under current law, only the subject energy utility may seek alternative regulation.) It also provides that the Commission must consider the benefits to the energy utility, the energy utility's consumers, and the state when making a decision regarding alternative regulation.

The bill also requires the Commission to adopt regulatory practices, rates, and charges under alternative regulation that are in the public interest and will promote specifically stated goals. It removes provisions that permit an energy utility to reject an alternative regulation plan (ARP) and provides that the Commission may not establish rates and charges for nonresidential electric service customers priced below cost that would require subsidization by residential customers. A superseded statute is also repealed.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:** This bill would allow the IURC, the UCC, one or more energy utilities, or a customer class to initiate development of an ARP. It also requires that the ARP be in the public interest and must promote certain other goals. This proposal would also prevent a utility from rejecting a proposed ARP (they may do under current law). The IURC explained in its 1998 Energy Report, "In contrast to cost-of-service regulation, alternative regulatory plans are designed to allow the utility more flexibility in pricing energy to customers. ARPs may also contain provisions to streamline the regulatory approval process."

The IURC and the UCC would incur some additional expenses related to rule making as a result of this bill. These costs could be absorbed within the current budgets of these agencies. By allowing more parties to initiate alternative regulation, the bill may also increase the number of necessary procedures, although the exact number is unknown. However, if any ARPs are successful in streamlining the approval process, there

may be some offsetting savings. The operating expenses of the IURC and the OUCC are funded through the Public Utility Fund.

This bill also requires that the IURC may not set rates and charges for nonresidential electric utility customers below a utility's cost of providing service (which would require subsidization by residential customers).

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** IURC, OUCC.

**Local Agencies Affected:**

**Information Sources:** Mike Leppert, Director, Consumer Affairs, IURC, (317) 232-2714; Anthony Dzwonar, External Affairs Director, OUCC, (317) 232-2494; Energy Report: Industry Facts and Updates, IURC, August 1998.